

# Business Tendency Survey

## December 2018

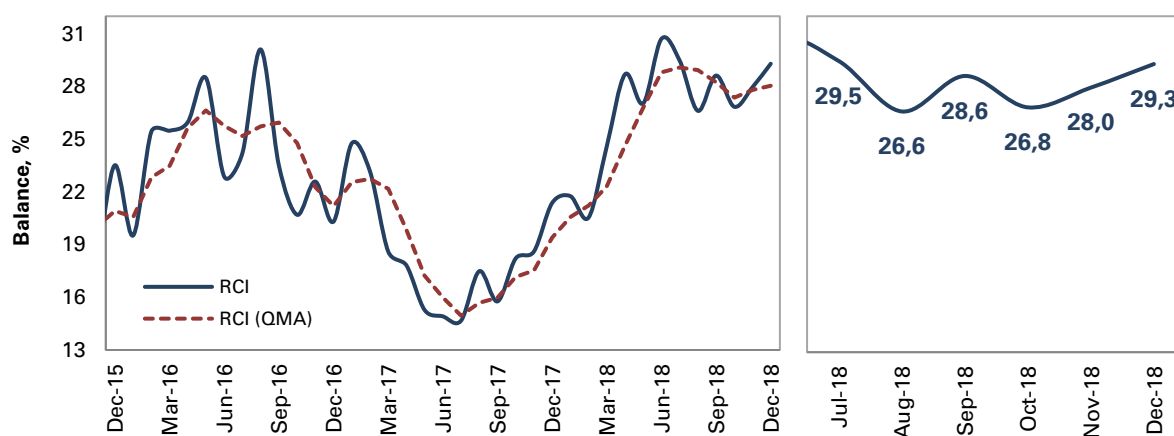


In December, both the Retail and the Industrial Confidence Indexes increased compared to previous month and December 2017. Regarding last month, the improvement in retailer's confidence was owed to the increase in current economic conditions component and the reduction in the level of stocks, while the Industrial Confidence Index improved due to the increase in production expectations for the next quarter. On the other hand, employment expectations for the next quarter reduced compared to previous quarter but increased with respect to the same period of 2017. Finally, Industrial business' perception of contraband decreased and it was lower than the one observed a year ago.

### Retail Confidence Index – RCI

In December, the Retail Confidence Index (RCI) was 29.3%, which represents an increase of 1.3 percentage points (pps) compared to the previous month and an increase of 7.9 pps with respect to December 2017 (Graph 1).

**Graph 1. Retail Confidence Index (RCI)**



Source: Business Tendency Survey (BTS) – Fedesarrollo

The RCI brings together three elements: **perception about business current economic situation, level of stocks and expectations about the economic situation for the next semester**. The results for December of the last two years are summarized in Table 1.

**Table 1. Evolution of RCI components**

Component (Balance, %)	2017	2018	
	December	November	December
Business current situation	42.0	43.3	48.5
Level of stocks	14.1	7.5	5.6
Business expectations for the next 6 months	36.2	48.0	45.0
<b>Retail Confidence Index - RCI</b>	<b>21.4</b>	<b>28.0</b>	<b>29.3</b>

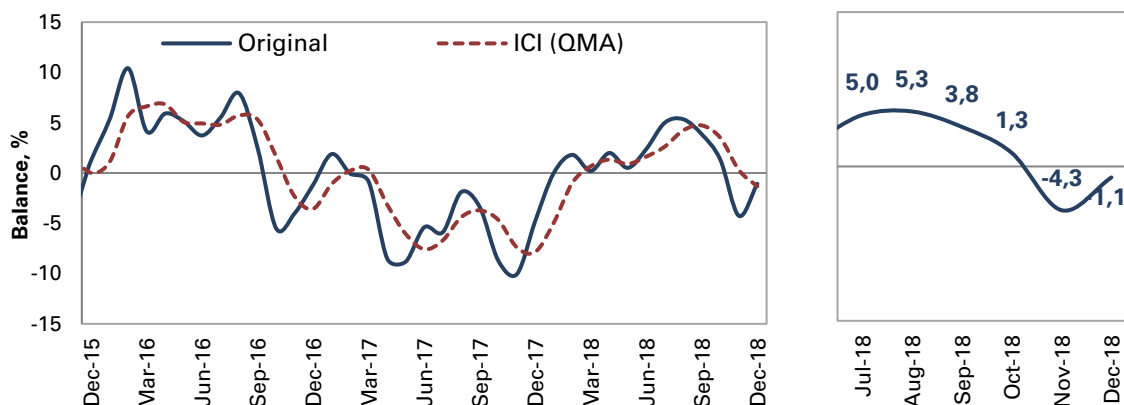
Source: Business Tendency Survey (BTS) – Fedesarrollo.

In December, the improvement in retailer’s confidence relative to previous month was due to the 5.2 pps increase in the current economic situation component and the 1.9 pps drop in the level of stocks index. Relative to December 2017, the improvement was explained by the 8.5 pps decrease in the level of stocks index and the increases of 6.5 pps and 8.8 pps in the current economic situation component and expectations index respectively.

### Industrial Confidence Index – ICI

In December, the Industrial Confidence Index (ICI) was -1.1%, which represents an increase of 3.2 pps compared to previous month and an increase of 3.7 pps compared to the same period of 2017. With this result, the ICI reversed the downward trend observed in previous months but remains in negative territory.

**Graph 2. Industrial Confidence Index (ICI)**



Source: Business Tendency Survey (BTS) – Fedesarrollo..

The ICI consists of three components: **current volume of orders, level of stocks<sup>1</sup> and production expectations for the next three months**. The increase in industrial confidence with respect to December 2017 was mainly due to the improvement of 12.7 pps in the current volume of orders index and to a lesser extent to the 0.8 pps increase in production expectations. (Table 2).

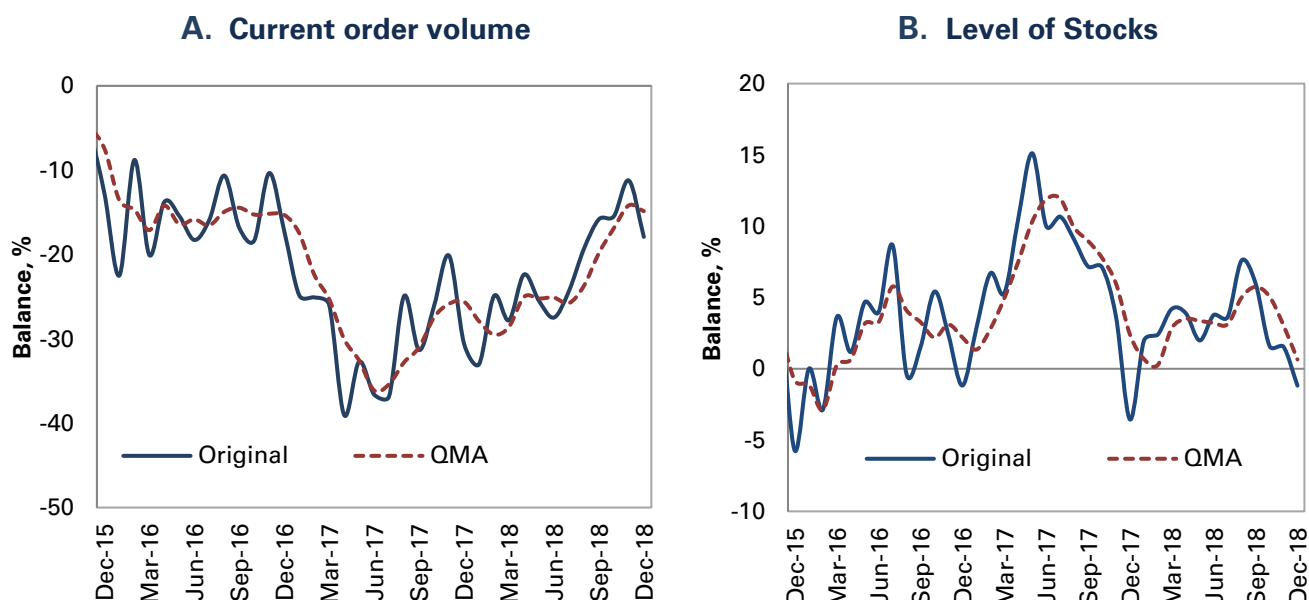
**Table 2. Evolution of ICI components**

Component (Balance, %)	2017	2018	
	December	November	December
Current volume of orders	-30.6	-11.2	-17.9
Stocks of finished goods at the end of this month	-3.6	1.5	-1.2
Expected production in the next three months	12.7	0.0	13.5
<b>Índice de Confianza Industrial – ICI</b>	<b>-4.8</b>	<b>-4.3</b>	<b>-1.1</b>

Source: Business Tendency Survey (BTS) – Fedesarrollo.

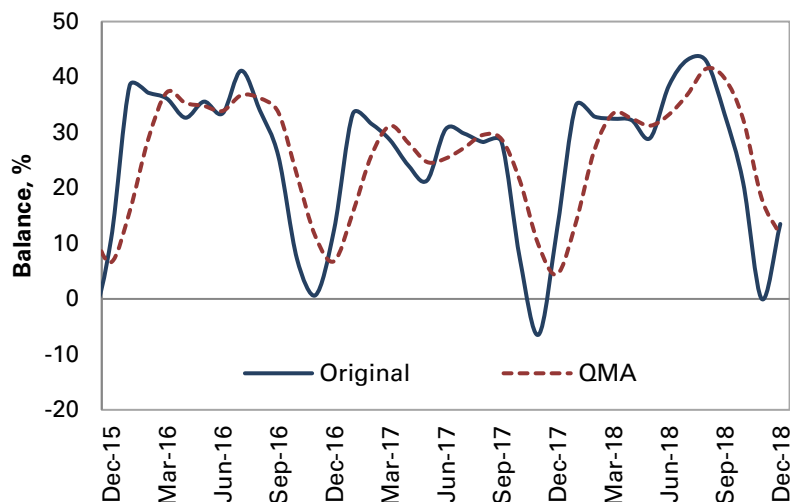
In its original series, the improvement in December of the ICI compared to previous month was due to the increase of 13.5 pps in production expectations for the next quarter. However, isolating seasonal variations, there was a deterioration in all the components of the ICI (Graph 3).

**Graph 3. ICI Components**



<sup>1</sup> Both industrial producers and retailers are asked if the level of stocks is high, low or normal and the balance is the difference between the percentage of respondents who answered that it is "high" and those who indicated that it is "low." A decrease in the balance is equivalent to an improvement, since employers perceive lower levels of inventories.

### C. Production expectations for the next three months

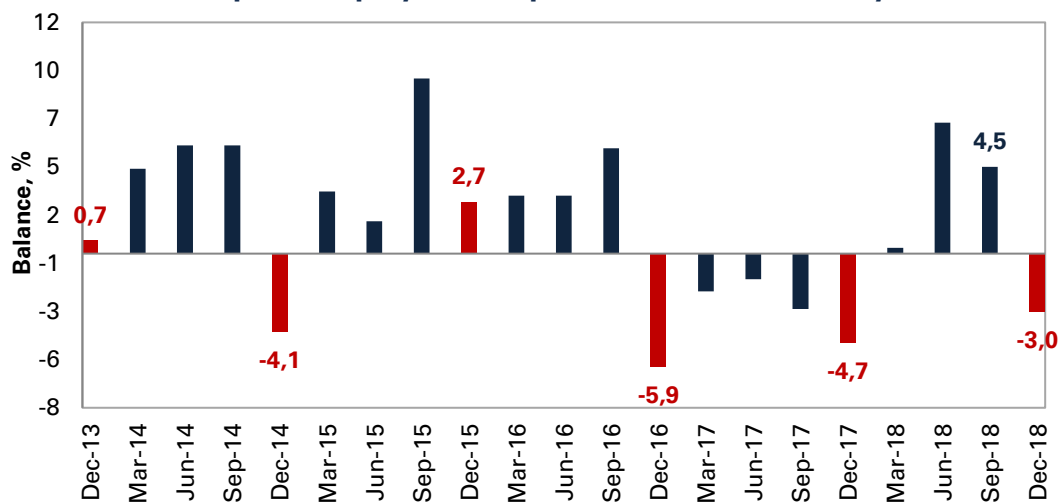


Source: Business Tendency Survey (BTS) – Fedesarrollo.

### Employment Expectations and Contraband Perception<sup>2</sup>

In December, the balance on employment expectations for the next quarter was -3.0%, which represents a reduction of 7.5 pps compared to the previous quarter and an increase of 1.7 pps compared to the same period of 2017 (Graph 4). Disaggregating by answer choice, 11.5% of respondents believe that employment in the industry will increase, 14.5% believe that it will decrease and 74.0% say it will remain the same.

Graph 4. Employment expectations in the industry



Source: Business Tendency Survey – Fedesarrollo.

<sup>2</sup> The Business Opinion Survey contains a quarterly module inquiring about employers' perception of employment expectations and the perception of contraband in the industry.

On the other hand, the percentage of industrial business perceiving contraband in the industry as equal to or greater than last quarter decreased from 91.0% in September to 82.2% in December. This result is also lower than the one observed in December 2017. (84.9%) (Table 3).

**Table 3. Contraband Perception**

Answers	2017	2018	
	December	November	December
Higher	19.9	19.6	24.9
Equal	65.1	71.4	57.3
Lower	15.1	9	17.8
<b>Balance</b>	4.8	10.6	7.0

Source: Business Tendency Survey (BTS) – Fedesarrollo.



**Contact us if you would like to have access to disaggregated results by region, industrial sector and other survey questions**

+57 1 3259777 ext. 340  
[comercial@fedesarrollo.org.co](mailto:comercial@fedesarrollo.org.co)

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Comments to **Diego Alejandro Gutiérrez**: [dgutierrez@fedesarrollo.org.co](mailto:dgutierrez@fedesarrollo.org.co)